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Mr. Lester Snow
CALFED Bay-Delta Program
1416 Ninth St. Suite 11554
Sacramento, Ca. 95814

May 22, 1999

Subject: Draft CALFED Financing Plan 5/11/99 version

Dear Lester:

I am providing these comments on behalf of my clients the Regional Council of Rural Counties. We are in receipt of the above referenced document dated 5/12/99. I wish to point out that the time permitted for this document was far too short in that it was not received by my offices until the afternoon of the 15th. This left just six working days to review and comment. Nonetheless, with an expected additional opportunity to provide comments on this subject we have put together "interim" comments on the draft plan.

Page 9, we believe that the CALFED approach to assessment of non-market benefits should recognize that watershed management actions provide a high percentage of public non market benefits, similar if not identical to those provided in the ecosystem restoration actions.

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Page 11, storage, we did not find any discussion of the financing options related to surface storage reoperation of power facilities or fish barriers within this section. We assume that discussion will be forthcoming, perhaps as a supplement to the Integrated Storage Investigation Report?

Page 15, cost allocations to electrical customers from federal projects should recognize that First Preference Power Customers (Trinity County, Calaveras County and Tuolumne County) are recognized in Reclamation law and as such have certain special assurances regarding their power supplies. Ongoing, improper, violation of those past assurances by the Bureau of Reclamation and the Western Area Power Administration are not precedent for additional violation of assurances, nor should they be a model for new assurances.

Page 37 Watershed Program. It is assumed that the CALFED watershed program will actually carry out activities through the financial and technical assistance portion of the program. Therefore, the watershed program would produce specific outputs or benefits which should be monitored through implementation. These outputs are fairly captured on page 38. However, we do not believe that you have completely captured the benefits of a properly conducted watershed program. For example, proper up country meadow restoration produces colder water flows in many cases later in the season (summer/fall). This produces direct benefits to the aquatic species and is a broad public benefit.

Page 39, the specific reference to local businesses benefiting from timber harvests is inconsistent with the CALFED analysis for other programs. For example, on page 19 there is no reference to construction companies or rock suppliers or trucking firms who will likely benefit from levee maintenance or construction programs. We therefore feel the identification of one specific local industry, just in the watershed program, is an unfair characterization of beneficiaries by CALFED. Are engineering firms who will design CALFED facilities an identified beneficiary? What about environmental consulting firms which are benefiting from the work in the Ecosystem Restoration Program? Either all local business that benefit (or could potentially benefit) from a CALFED action should be identified or none should. Your choice, but lets be fair.

Page 42. We believe that the financing options described for the watershed program should be those as used for the Ecosystem Restoration Program. Ecosystem restoration as carried out on a watershed basis is no different than ecosystem restoration carried out elsewhere. The only portion of the watershed program in which a "local share" may be appropriate is where the activities occur on private lands and when those activities will specifically benefit the landowner.

We wish to point out that the existing levels of funding for watershed activities are what has resulted in the lack of restoration or management of the watersheds in the first place. Funding will have to be increased in order for there to be any benefit to the Ecosystem.

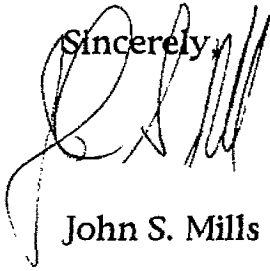
Page 42, we support a consistent approach of broad based user fees as identified elsewhere in the CALFED Finance Plan. We believe that any proposed lumber company fee should be fully equal to the fees charged to engineering firms, environmental consulting firms, rock suppliers and contractors who work on CALFED activities.

page 43, local communities and counties are currently required by state law to develop comprehensive general plans, zoning ordinances and implementing activity ordinances (grading, building restoration, vegetation management, open space, etc.). To the extent that the local watershed programs were integrated into this existing planning process savings may be possible and local costs assimilated to an extent. If however, the watershed planning process is a duplicative process, occurring parallel but disconnected from the other planning efforts, we believe that few local communities would pay for duplicative and in most cases redundant planning efforts.

Page 47, the program description does not mention that the CMARP will monitor results of watershed programs. If separate monitoring is to be done for the watershed program, who will bear the costs of those activities and how will they be integrated into the CALFED program? Who will pay for that later integration of results and data and who will assure that it is in a useful format?

We hope that these comments are useful, albeit cursory, given the short timetable. We look forward to reviewing the next version of the finance plan and providing you with additional comments.

Sincerely,

A handwritten signature in black ink, appearing to be 'JSM', written over the word 'Sincerely'.

John S. Mills